CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

mangel stores corporation

1968 Annual Report

Highlights

Income Data	1968	1967*
Net Sales, Including Rental Income from Licensed Departments	$117,451,430	$107,572,031
Income before Federal Income Taxes and Extraordinary Item	1,345,814	1,877,559
Federal Income Taxes — net	366,000	791,000
Income before Extraordinary Item	979,814	1,086,559
Extraordinary Item	36,000	276,000
Net Income	1,015,814	1,362,559
Cash Dividends	321,088	308,176
Stock Dividends	514,605	377,927
Number of Stores and Leased Department Locations	153	156
Balance Sheet Data		
Current Assets	$ 33,937,200	$ 29,338,207
Current Liabilities	14,664,460	14,433,599
Net Working Capital	19,272,740	14,904,608
Current Ratio	2.3	2.0
Accounts Receivable — net	$ 8,256,458	$ 7,485,040
Merchandise Inventories	21,805,037	18,618,763
Fixed Assets — net	13,801,638	13,137,850
Long-Term Debt	14,755,457	10,400,584
Shareholders' Equity	19,057,289	18,341,861
Per Share Data		
Income Before Extraordinary Item	$1.18	$1.31**
Extraordinary Item	.04	.33**
Net Income	1.22	1.64**
Cash Dividends**	.385	.370
Stock Dividends	4%	4%
Book Value	$22.79	$21.99**

*Certain income data for 1967 has been restated from amounts previously reported to conform to the treatment now recommended by the Accounting Principles Board of the American Institute of Certified Public Accountants.

**Adjusted for stock dividends.

To Our Shareholders:

The report for the 53 weeks ended February 3, 1968 is presented herewith:

Sales

Net sales from Company-owned departments including rental income from licensed departments reached the record sum of $117,451,430 as compared with $107,572,031 in the previous year, an increase of $9,879,399 or 9.2%. Total store sales which includes sales of licensed departments, amounted to the record sum of $134,142,890 and compares with $126,410,221 last year.

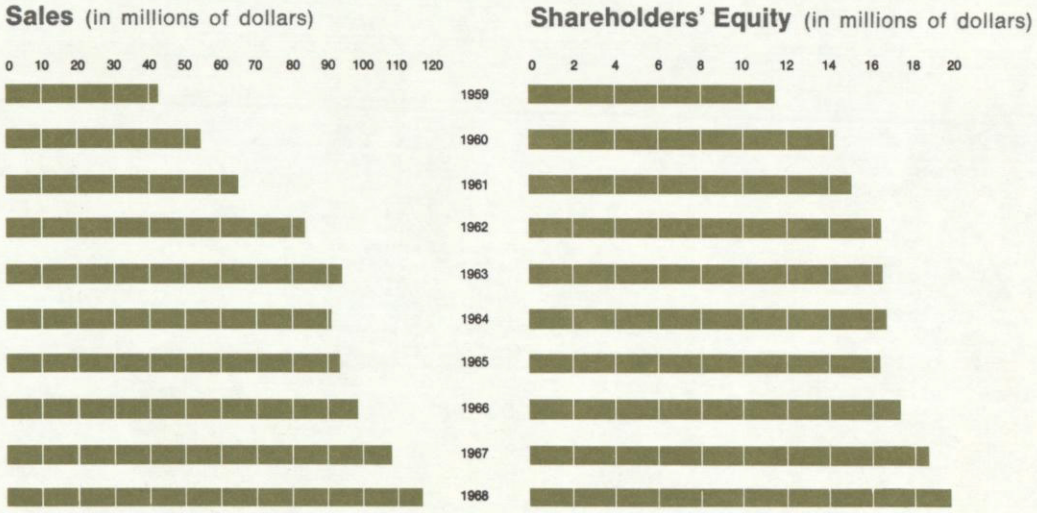
Earnings

Net income amounted to $1,015,814 this year as compared with $1,362,559 last year. Per share earnings were $1.22 this year and $1.64 last year, based on the average number of shares outstanding. The decrease in net income was due to the rapidly rising costs of doing business, the starting up expenses of the new and remodeled stores, and local civil commotions that took place in various parts of the country. Depreciation and amortization of $1,495,036 added to the net income for the year of $1,015,814, resulted in a cash flow of $2,510,850 or $3.00 per share compared with $3.21 per share last year.

Financial Condition

Our financial condition remained strong as shown by the Balance Sheet on Pages 8 and 9. The increase in working capital resulted largely from the $5,000,000 five year loan, consummated in August, 1967. The changes in working capital are accounted for as follows:

ADDITIONS TO WORKING CAPITAL:	
Net income for the year	$1,015,814
Depreciation and amortization not requiring outlay of funds	1,495,036
Increase in long-term debt — net	4,354,873
Other — net	10,687
Total	6,876,410
DEDUCTIONS FROM WORKING CAPITAL:	
Cash dividends	321,088
Purchase of fixed assets — net	2,187,190
Total	2,508,278
Increase in Working Capital	$4,368,132



Dividends

The Company again paid four quarterly cash dividends of $.10 each, a total of $.40 for the year and a 4% stock dividend on December 15, 1967. We intend to continue dividend payments as warranted by earnings and consistent with the requirements of the Company. A cash dividend of 10¢ per share was paid on March 15, 1968.

New Construction

During the fiscal year, two new Shoppers Fair self-service discount department stores were opened, one in Holland, Michigan and the other in Lynchburg, Virginia, a total of 110,000 square feet of floor space. In addition, one Shoppers Fair store was refurbished and enlarged, adding 20,000 square feet of floor space and 12 Shoppers Fair and Mangel stores were refurbished.

General

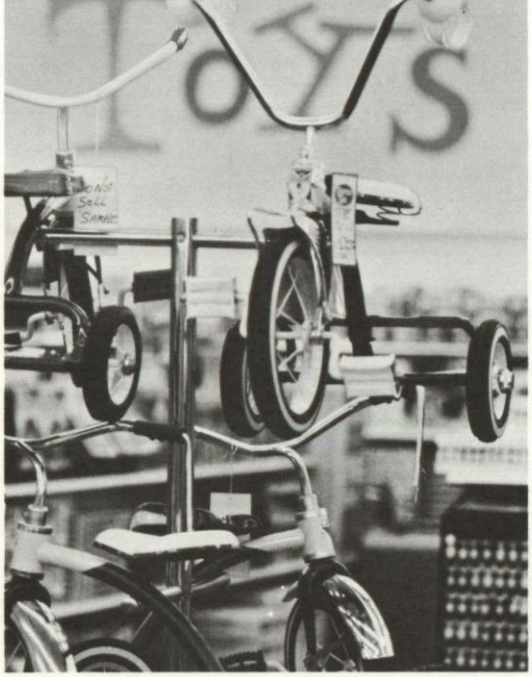
We record with deep sorrow, the passing on December 8, 1967, of Mr. Saul C. Guzy, our Vice President and Director, and the son of one of our founders. Mr. Guzy served loyally in various positions with the Company for the past 40 years.

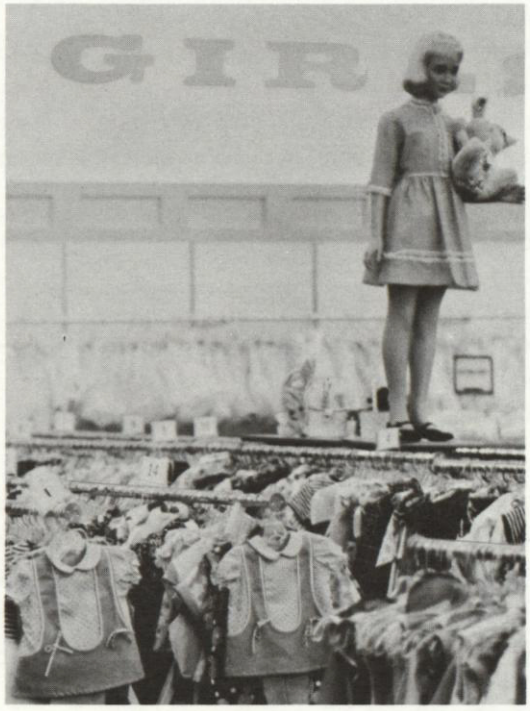
We wish to express our appreciation to our employees, suppliers and shareholders for their continued cooperation.

May 6, 1968

Jared L. Lawrence

President





Handsome interiors, fresh, modern displays, spacious aisles, and complete assortments of the latest merchandise reflect the up-to-the-minute look in our continuing program of modernization . . . to create the kind of atmosphere that makes shopping a happy experience . . . and to afford our customers the utmost in convenience and the widest available choice. And as we continue to update and beautify our stores, to make Shoppers Fair an even more pleasant place to shop, we do so without sacrificing our "more-for-your-money" discount policy.

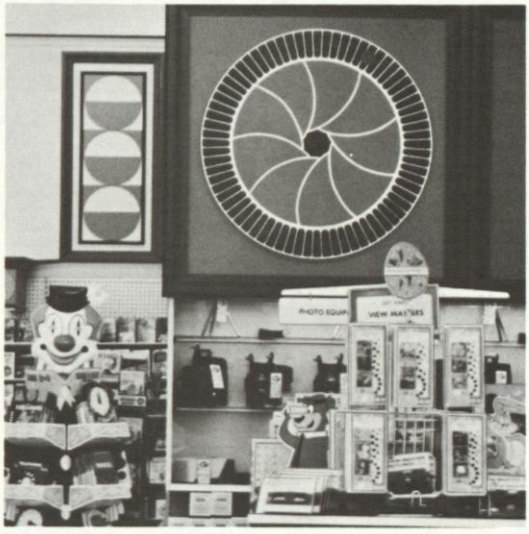


PHOTO EQUIP
VIEW MASTERS

SHOPPER'S FAIR

Ten Year Summary of Progress

Fiscal years ended (approximately) January 31

Income Data	1968	1967
Net Sales, Including Rental Income from Licensed Departments	$117,451,430	$107,572,031
Income before Federal Income Taxes and Extraordinary Items	1,345,814	1,877,559
Federal Income Taxes	366,000	791,000
Income before Extraordinary Items	979,814	1,086,559
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Current Liabilities	14,664,460	14,433,599
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Current Ratio	2.3	2.0
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Merchandise Inventories	21,805,037	18,618,763
Fixed Assets — Net	13,801,638	13,137,850
Long-Term Debt	14,755,457	10,400,584
Shareholders' Equity	19,057,289	18,341,861
Per Share Data*		
Income before Extraordinary Items	$1.18	$1.31
Extraordinary Items	.04	.33
Net Income	1.22	1.64
Cash Dividends	.385	.370
Stock Dividends	4%	4%
Book Value (on adjusted shares outstanding at the end of each respective year)	$22.79	$21.99

*Based on average number of shares outstanding adjusted retroactively for stock dividends.

**Excludes special credit of $127,587 which has been reclassified to Retained Earnings.

1966	1965	1964	1963	1962	1961	1960	1959
$99,214,954	$92,995,050	$90,240,174	$93,907,125	$84,664,098	$65,096,448	$54,334,304	$42,654,510
1,507,601	(9,364)	1,691,651	1,463,767	2,314,523	2,237,379	2,570,353	1,797,366
626,000	349,000	594,000	577,030	837,908	833,000	977,000	655,000
881,601	(358,364)	1,097,651	886,737	1,476,615	1,404,379	1,593,353	1,142,366
206,000	93,290	29,584	——	——	——	——	——
1,087,601	(265,074)	1,127,235	886,737	1,476,615**	1,404,379	1,593,353	1,142,366
75,492	217,883	871,590	870,992	850,830	822,906	754,836	610,485
205,716	360,607	——	——	——	——	——	——
157	164	164	167	162	132	126	125
$27,816,655	$22,616,333	$22,991,649	$21,496,514	$19,251,066	$14,596,020	$13,181,906	$11,908,692
11,712,443	7,134,077	6,990,734	5,213,402	6,358,555	3,882,771	3,568,957	2,098,871
16,104,212	15,482,256	16,000,915	16,283,112	12,892,511	10,713,249	9,612,949	9,809,821
2.4	3.1	3.3	4.1	3.0	3.8	3.7	5.7
$ 7,024,533	$ 5,178,013	$ 4,735,326	$ 4,212,776	$ 2,793,528	$ 2,964,310	$ 3,277,502	$ 2,776,514
16,384,279	13,558,696	15,858,721	13,101,138	11,384,452	7,393,154	5,799,507	5,169,587
11,534,258	11,740,621	12,026,100	12,323,977	11,288,156	10,174,228	8,652,340	7,947,776
11,140,339	12,194,140	12,967,054	13,684,635	8,944,040	6,827,390	4,982,675	6,961,301
17,273,688	16,260,312	16,752,597	16,495,658	16,389,968	14,930,984	14,020,446	11,357,859
$1.06	($.43)	$1.32	$1.06	$ 1.78	$ 1.78	$ 2.21	$ 1.96
.25	.11	.03	——	——	——	——	——
1.31	(.32)	1.35	1.06	1.78	1.78	2.21	1.96
.091	.261	1.046	1.046	1.046	1.046	1.046	1.046
2%	4%	——	——	——	——	——	——
$20.74	$19.53	20.10	19.80	19.73	18.78	18.18	17.85

Certain income and Federal income tax amounts shown above for the years 1964 through 1967 have been restated from amounts previously reported. Such changes are the result, generally, of retroactive application to applicable years of "special items" for the years 1965 and 1966 and the restatement of Federal income taxes to conform to the treatment now recommended by the Accounting Principles Board of the American Institute of Certified Public Accountants. Amounts prior to 1964 have not been so adjusted.

Consolidated Balance Sheet

As at February 3, 1968 — January 28, 1967

Assets	1968	1967
CURRENT ASSETS:		
Cash (including certificates of deposit)	$ 2,737,017	$ 2,087,984
Short-term investments — at cost, plus amortized discount	198,878	148,524
Accounts receivable — trade, less reserves for doubtful accounts (and in 1967, unearned service charges) aggregating $341,116 and $449,550, respectively	8,256,458	7,485,040
Miscellaneous receivables — net	374,692	646,071
Merchandise inventory — at the lower of cost or market, based upon the retail method of inventory valuation	21,805,037	18,618,763
Prepaid expenses	565,118	351,825
TOTAL CURRENT ASSETS	33,937,200	29,338,207
OTHER ASSETS — net (including estimated refunds of Federal income taxes of $254,314 and $348,052, respectively)	471,231	648,647
FIXED ASSETS — at cost — Note B:		
Land	1,325,475	1,325,475
Buildings — less reserve for depreciation of $1,478,766 and $1,320,251, respectively	3,186,859	3,302,670
Furniture, fixtures, equipment and leasehold improvements, less reserves for depreciation and amortization aggregating $6,908,052 and $6,274,370, respectively	9,289,304	8,509,705
	13,801,638	13,137,850
DEFERRED CHARGES	437,012	186,812
GOODWILL	1	1
	$48,647,082	$43,311,517

The accompanying notes are an integral part of this statement.

Liabilities	1968	1967
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 1,050,977	$ 984,223
Accounts payable — merchandise	10,269,828	9,900,463
Accrued expenses and sundry liabilities	2,538,530	2,641,870
Customers deposits and credits	240,634	204,456
Reserve for Federal income taxes — Note A	564,491	702,587
TOTAL CURRENT LIABILITIES	14,664,460	14,433,599
LONG-TERM DEBT, less current portion — Note B	14,755,457	10,400,584
DEFERRED COMPENSATION	169,876	135,473
TOTAL LIABILITIES	29,589,793	24,969,656

SHAREHOLDERS' EQUITY — Notes B and C:	Shares			
Common Stock — par value $1 per share:	1968	1967		
Authorized	1,000,000	1,000,000		
Issued	853,221	819,058	853,221	819,058
Less: Treasury stock	16,927	16,927	16,927	16,927
Outstanding	836,294	802,131	836,294	802,131
Capital Surplus			5,273,210	4,772,066
Retained Earnings			12,947,785	12,767,664
			19,057,289	18,341,861
			$48,647,082	$43,311,517

Consolidated Statement of Income and Retained Earnings

For the year (53 — 52 weeks) ended February 3, 1968 — January 28, 1967

	1968	1967
Net sales, including rental income from licensed departments	$117,451,430	$107,572,031
Deduct:		
Cost of sales, including occupancy expenses	89,183,558	81,905,404
General, administrative and selling expenses, less service charges on customers accounts	25,050,510	22,090,416
Depreciation and amortization (computed generally on straight line method)	1,495,036	1,316,115
	115,729,104	105,311,935
	1,722,326	2,260,096
Other deductions — net (including interest expense of $955,401 and $837,534, respectively)	376,512	382,537
Income before items shown below	1,345,814	1,877,559
Federal income taxes — Note A	366,000	791,000
Income before extraordinary item ($1.18 and $1.31 per share, respectively)	979,814	1,086,559
Extraordinary item — Credits equivalent to reduction in Federal income taxes resulting from use of net operating loss carryovers and, in 1967, deductions of intercompany bad debts — Note A ($.04 and $.33 per share, respectively)	36,000	276,000
Net income ($1.22 and $1.64 per share, respectively)	1,015,814	1,362,559
Retained Earnings at the beginning of the year	12,767,664	12,091,208
	13,783,478	13,453,767
Deduct:		
Cash dividends	321,088	308,176
Stock dividend	514,605	377,927
	835,693	686,103
Retained Earnings at the end of the year — Note B	$ 12,947,785	$ 12,767,664

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

As at February 3, 1968

The consolidated balance sheet as at January 28, 1967 and the consolidated statement of income and retained earnings, as restated, for the year (52 weeks) ended January 28, 1967, are shown for comparative purposes only. Reference should be made to the previously issued report for the Accountants' Report and notes pertaining to those financial statements.

Note A — Federal Income Taxes:

The companies file Federal income tax returns on an individual company basis. Investment tax credits are applied as reductions of provisions for Federal income taxes; the following amounts are so applied in the accompanying statement of income and retained earnings: $123,000 (1968) and $59,000 (1967). Such credits include $70,000 and $21,000, respectively, arising in prior years.

The consolidated statement of income and retained earnings for the fiscal year ended January 28, 1967, has been restated, to conform to the treatment now recommended by the Accounting Principles Board of the American Institute of Certified Public Accountants, to show income tax credits equivalent to reduction in Federal income taxes as an extraordinary item with a corresponding increase in provision for Federal income taxes.

Consolidated Retained Earnings include undistributed earnings of subsidiaries which may be subject to income taxes if and when distributed in the form of dividends.

Note B — Long-term Debt:

Long-term debt consists of the following:

	Total	Due in one year	Due after one year
Notes payable — banks, maturing in varying annual installments between February 1969 and 1973, with quarterly interest at 3/4% in excess of prime commercial rates	$ 5,000,000		$ 5,000,000
5.80% Note Payable — insurance company, payable in annual installments of $750,000 through January 15, 1978	7,500,000	$ 750,000	6,750,000
4% to 6% Mortgages payable — in installments to 1984	2,900,981	186,143	2,714,838
Liability (including finance charges) for purchase of equipment, collateralized by the related equipment	405,453	114,834	290,619
	$15,806,434	$1,050,977	$14,755,457

Land and buildings with a net book amount of $4,399,504 as at February 3, 1968, together with intercompany and other leases, are pledged as collateral for mortgages payable.

Covenants contained in agreements with banks and the insurance company require the maintenance of at least a specified amount of minimum consolidated working capital and provide restrictions on the payment of dividends (other than stock dividends) and acquisition of the Company's capital stock. As at February 3, 1968, approximately $500,000 was available for such purposes under the most restrictive of these provisions.

Note C — Shareholders' Equity:

A 4% stock dividend declared in November 1967 and the issuance of a fractional share in connection therewith resulted in credits to Common Stock ($32,163) and Capital Surplus ($482,444).

The Company has a 1964 stock option plan ("1964 Plan") and has adopted, subject to stockholder approval, a 1967 stock option plan ("1967 Plan") pursuant to which options may be granted to officers and key employees at prices which are not less than fair market prices at dates of grant. The 1964 Plan is for 25,000 shares and the 1967 Plan (adjusted for the 4% stock dividend) is for 51,694 shares of Common Stock. Under the plans, options are exercisable on a cumulative basis over a five year period after which they expire.

Changes in the status of these options are summarized as follows:

	1964 Plan	1967* Plan
Shares under option, beginning of year	21,300	—
Options granted	—	44,304
Options terminated	(640)	(260)
Options exercised	(2000)	—
Shares under option, end of year	18,660	44,044
Shares available for option, end of year	2,960	7,650

*Adjusted for 4% stock dividend.
Option prices range from $10.50 to $15.375 per share.

Note C — continued

The Company issued 2,000 shares of stock for options exercised which resulted in an increase of $18,700 in Capital Surplus.

Note D — Lease Commitments:

As at February 3, 1968, the minimum annual rentals on real property under leases then in force, exclusive of intercompany rentals, amounted to approximately $3,991,000, including approximately $31,000 applicable to four lessors in which certain officers and directors have interests. Approximate aggregate minimum annual rentals are set forth below:

Leases terminating during period:	Amount
From February 4, 1968 to January 31, 1977	$1,064,000
From February 1, 1977 to January 31, 1987	2,281,000
From February 1, 1987 to April 30, 2006	646,000

Certain lease agreements provide for additional rentals based upon sales or for payment of real estate taxes, insurance, etc.

Accountants' Report

To the Board of Directors
Mangel Stores Corporation
New York, N.Y.

We have examined the consolidated balance sheet of Mangel Stores Corporation and subsidiaries as at February 3, 1968, and the related consolidated statement of income and retained earnings for the year (53 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and retained earnings present fairly the consolidated financial position of Mangel Stores Corporation and subsidiaries at February 3, 1968 and the consolidated results of their operations for the year (53 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. Leidesdorf & Co.

New York, N. Y.
April 8, 1968

MANGEL STORES CORPORATION

Directors

HERBERT J. DEITZ
ISRAEL A. DIAMOND
PHILLIP F. FRANKEL
SANFORD S. JAFFE
MAURICE N. JAFFE
GEORGE M. JAFFIN
AL KLEIN
EMANUEL MANGEL
SOL MANGEL
JARED L. ROSENTHAL
MAX WEINREICH

Officers

SOL MANGEL
Chairman of the Board

JARED L. ROSENTHAL
President

PHILLIP F. FRANKEL
Executive Vice-President

ISRAEL A. DIAMOND
Vice-President and Treasurer

AL KLEIN
Vice-President
Assistant Secretary and Controller

GEORGE SCHWARTZ
Vice-President
General Merchandise Manager

SANFORD S. JAFFE
Vice-President
Director of Polly Perrey Division

MAURICE N. JAFFE
Vice-President
Director of Polly Perrey Division

B. ROBERT ROSTHAL
Vice-President
Supervisor of Licensed Operations

MAURICE MANTEL
Vice-President
Director of Construction and Maintenance

DAVID M. DIAMOND
Vice-President

EMANUEL MANGEL
Assistant Treasurer and
Assistant Secretary

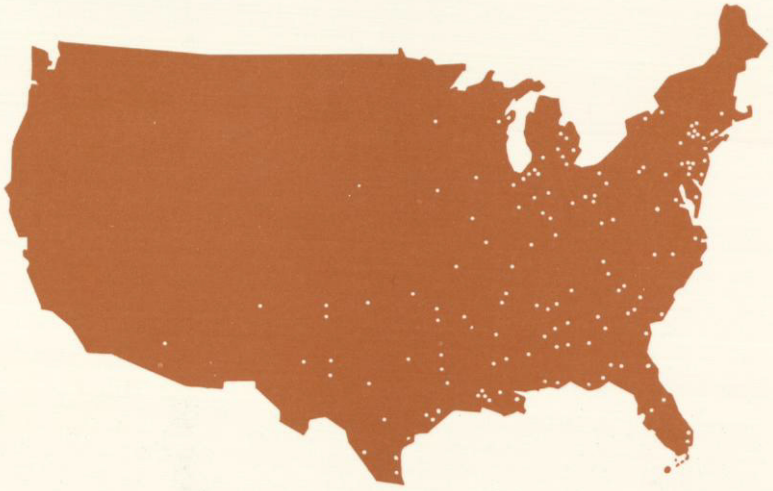
MAX WEINREICH
Secretary

Counsel
Cole & Deitz, New York, N. Y.

Auditors
S. D. Leidesdorf & Co., New York, N. Y.

Transfer Agent
Morgan Guaranty Trust Company of New York,
30 West Broadway, New York, N. Y. 10007

Registrar
Manufacturers Hanover Trust Company,
40 Wall Street, New York, N. Y. 10015



153 Store and Leased Department Locations

ALABAMA
Anniston
Birmingham
Decatur
Florence
Huntsville (2)
Mobile (2)
Montgomery
Prichard
Selma
Tuscaloosa

ARKANSAS
Fort Smith
Hot Springs
Little Rock
Pine Bluff (2)

CONNECTICUT
Bridgeport
South Norwalk

DELAWARE
Wilmington

FLORIDA
Jacksonville
Key West
Miami (2)
Orlando
Panama City
Pensacola (3)
Pompano Beach
Tallahassee
Tampa

GEORGIA
Atlanta
Augusta
Columbus
Macon
Savannah
Thomasville
Valdosta

ILLINOIS
Danville
Kankakee
Quincy

INDIANA
Columbus
Evansville
Gary
Indianapolis (2)
Lafayette
Marion
Michigan City
Muncie
South Bend

IOWA
Clinton
Des Moines

KENTUCKY
Paducah
Shively

LOUISIANA
Baton Rouge (3)
Crowley
Lafayette
New Iberia
New Orleans
Opelousas

MARYLAND
Randallstown
Salisbury

MICHIGAN
Adrian
Battle Creek
Benton Harbor
Detroit (4)
Flint
Holland
Jackson
Lansing
Saginaw

MINNESOTA
St. Paul

MISSISSIPPI
Greenville
Jackson
Meridian
Natchez

MISSOURI
St. Louis (3)
Springfield

NEW JERSEY
Pennsauken
New Shrewsbury
Trenton

NEW MEXICO
Hobbs
Santa Fe

NEW YORK
Brooklyn
Kingston
Middletown
Newburgh (2)
Peekskill (2)
Rochester
Syracuse (2)

NORTH CAROLINA
Asheville
Elizabeth City
Greensboro
Raleigh

OHIO
Akron
Canton (2)
Columbus
Dayton (2)
Lancaster
Zanesville

OKLAHOMA
Altus
Tulsa

PENNSYLVANIA
Altoona
Chester
Clifton Heights
Horsham
Philadelphia
Scranton

SOUTH CAROLINA
Aiken
Charleston
Columbia
Greenville
Spartanburg

TENNESSEE
Chattanooga
Jackson
Johnson City
Memphis

TEXAS
Amarillo
Baytown
Beaumont
Big Spring
Borger
Brownwood
Corpus Christi (2)
Dallas
Galveston
Harlingen
Houston (2)
McAllen
Midland
San Antonio
Texarkana

VIRGINIA
Lynchburg

WEST VIRGINIA
Charleston
Huntington

WISCONSIN
Green Bay
Oshkosh

mangel stores corporation

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